

**Mississippi Development Authority  
Public Housing Program  
CDBG Disaster Recovery Action Plan  
Amendment 1**

## **Overview**

Hurricane Katrina made landfall in Mississippi on August 29, 2005 and turned out to be the worst natural disaster to ever hit the United States. FEMA reported there were 65,380 homes in south Mississippi damaged or destroyed and estimated there were 44 million cubic yards of debris in south Mississippi. During the aftermath of the storm many citizens along the Mississippi Gulf Coast were without a place to live.

The State of Mississippi received a \$5.058 billion allocation from HUD resulting from the \$11.5 billion federal appropriation through HR 2863. This appropriation is for the states of Mississippi, Louisiana, Alabama, Florida and Texas. These monies have been designated by Congress for “disaster relief, long-term recovery and restoration of infrastructure in the most impacted and distressed areas related to the consequences of hurricanes in the Gulf of Mexico in 2005.” The Mississippi Development Authority (MDA) is the State’s designated agency responsible for administering CDBG funds and will administer Mississippi’s share of the Katrina CDBG funds.

The partial action plan represented \$3.560 billion of the State’s \$5.058 billion allocation and consisted of the Homeowner Assistance Grant Program, a Grant Program to Local Governments for building and permitting officials and the establishment of an Office of Fraud Prevention and Investigations.

Other proposed amendments to the CDBG Disaster Recovery Action Plan that are in progress include:

- Economic Development & Community Revitalization Program
- Regional Infrastructure Program

This amendment describes the Public Housing Program, which will provide long term recovery assistance by replacing critical public housing that existed prior to the storm on at least a “one-for-one” basis. The total proposed for this program, including MDA administrative costs, in an amount not to exceed \$105 million. No more than \$5 million of this amount will be spent on administrative costs.

## **Public Housing Program**

The laws of the State of Mississippi permit any municipality, county or group of counties to establish a public housing authority ("Housing Authority"), for the purpose of providing decent, safe and sanitary living accommodations for low and very low income residents who, without some form of assistance, would lack access to such housing. Historically, Housing Authorities have developed, owned, operated and managed multifamily properties and looked primarily to HUD for development capital, maintenance funds, rental assistance and operating subsidies. Contractual arrangements are detailed in separate Annual Contribution Contracts (each, an "ACC") between individual Housing Authorities and HUD. To foster housing and community development in their areas of operation, Housing Authorities are also authorized by statute to establish a subsidiary nonprofit corporation.

Five Mississippi Gulf Coast Housing Authorities located in Jackson, Hancock and Harrison counties suffered serious damage as a consequence of Hurricane Katrina: Region VIII, Biloxi, Bay St. Louis, Waveland and Long Beach. After the storm, HUD contracted with MD Strum, a housing management consultant firm based in Indianapolis, Indiana, to assess the extent of the damages. MD Strum reviewed each public housing development and provided an estimate to repair/rebuild damaged units. In addition, the estimates contained inflation markups due to rising prices in materials and labor as a result of the storm. Based on MD Strum's review, the following table shows the damages incurred by each of the five Housing Authorities:

	<b>Region VIII *</b>	<b>Biloxi</b>	<b>Bay St. Louis</b>	<b>Waveland</b>	<b>Long Beach</b>	<b>Totals</b>
Total # of Units	1,774	670	101	75	75	2,695
Units Damaged	1,664	619	101	75	75	2,534
Units Destroyed (Included in Damaged #)	26	172	36	75	7	316
Damage Estimate Dollar Value	\$40.0M	\$50.0M	\$7.5M	\$11.0M	\$2.8M	\$111.3M
Damage Estimate Per Unit Damaged	\$24K	\$81K	\$74K	\$147K	\$37K	\$44K

*\* Region VIII covers 14 counties in total. The remaining 4 Housing Authorities are "city specific," therefore Region VIII covers all other Public Housing properties within Harrison, Hancock and Jackson counties. See the appendix to this document for locations of the impacted housing authorities.*

## **Amendment Details**

The purpose of this Public Housing amendment is to provide funding, in an amount up to \$100M, to the five Housing Authorities that suffered damages to their facilities on August 29, 2005 from Hurricane Katrina. Grant allocations will be made based on the percentage of individual Housing Authority dollar damages to the total damages for all five Housing Authorities. Any HUD emergency monies already received will be taken into account during the allocation of payments made to each Housing Authority. Subject to (i) approval by MDA and (ii) satisfaction of the legal requirement that any housing development funded in part by these funds serve and house "persons of low and very low income," the Housing Authorities receiving these CDBG funds can – but will not be required to – use the monies to leverage other available resources in developing affordable housing targeting low and very low income Gulf Coast residents. Additional sources of assistance include but are not limited to affordable housing tax credits, tax-exempt debt, HOME funds and the Affordable Housing Program of the Federal Home Loan Bank Board.

With or without such additional assistance, the funds may be used by the Housing Authorities to rebuild and/or repair public housing units that existed before the storm. Alternatively, the Housing Authorities can use the CDBG funds to develop, own and operate multifamily properties containing public housing replacement units and targeting persons or families who earn 60% or less of area median income. Developments that qualify for low and very low income housing tax credits will be allowed to admit into ownership an investor that shall have no role in the management or operation of the property. Any such investor must be obligated in the ownership agreements to offer to the Housing Authority the opportunity to repurchase its ownership interest at the end of fifteen years, at the minimum price allowed by the Internal Revenue Code.

Any such development can be undertaken by the Housing Authority or, under Housing Authority sponsorship, a subsidiary nonprofit corporation of such Housing Authority, provided that the Housing Authority shall remain responsible to MDA for any funds made available through this amendment. In exchange for the funding, each Housing Authority must agree to the following:

- To a new damage assessment from a State-provided assessor
- To maintain, at a minimum, the number of affordable housing units offered prior to the storm
- That any construction, new or repair (rehab), is in accordance with the International Building Code (IBC) of 2003
- That newly constructed units be elevated in accordance with FEMA advisory flood elevations or subsequent FEMA permanent maps and access needs for disabled persons have been met for all units in accordance with CDBG requirements.
- To provide all bids, plans and invoices for repair/rebuilding to the State's Construction Manager for review and approval; that such plans minimize future maintenance costs through strategies such as energy efficient construction
- To provide proof of total financing to the satisfaction of MDA and the State's Construction Manager for all projects

- To provide proof of future cash flows to sustain operations
- To maintain 100% insurance coverage on replacement values of the property for all hazard types
- To provide a yearly certification to the State for all non-HUD subsidized units to ensure a minimum of 100% of the affordable housing units available prior to the storm are still available as affordable housing units

### **Calculation of Funding**

Each Housing Authority will receive funding based on their respective damage as a percent of the total aggregate damages incurred for all five Housing Authorities. This amount will be calculated based on the State-approved damage assessment. An example of payout is as follows:

Total Damages for all Five Housing Authorities	\$110,000,000
Damages for Housing Authority XYZ	\$ 40,000,000
Percent of Damages to Total Damages	37%
Total State Funding Available for all Five Public Housing Authorities	\$100,000,000
Eligible Funding for Housing Authority XYZ	\$37,000,000
<b>Less:</b> Emergency Funds Previously Received from HUD	(\$7,000,000)
Adjusted Funding for Housing Authority XYZ – <i>Note 1</i>	\$30,000,000

***Note 1: This example does not take into account various scenarios that could result from repairing/rebuilding the units. These scenarios include, but are not limited to, the following items:***

- *Some developments may be rebuilt to higher standards and include market rate units. MDA will only fund the public housing units. This funding will be achieved by allocating the public housing units to the total units for the development.*
- *Some developments may include additional financing such as tax credits, etc. The grant will be available to fund these monies as gap-financing for the public housing unit portion only.*

Funding of these amounts will be reduced for any HUD emergency funds received prior to the release of this amendment. In addition, funding will be limited to the replacement costs of the public housing rental dwellings. Soft costs such as planning, architectural/engineering will be limited to 15 % of the total grant amount.

## **Monitoring**

MDA's Construction Manager, selected from a RFP process, will review all information for propriety and accuracy and will perform routine on-site inspections. MDA's CDBG Monitors and MDA's Accounting Division will perform routine on-site inspections and reconciliations to ensure all costs are accounted for properly. Responsible staff will report concurrently to the CFO of the Mississippi Development Authority and the Office of the Governor of the State of Mississippi.

The State will require the Public Housing Authorities receiving funds under this amendment to enter into sub-recipient agreements with MDA. Among other provisions, these agreements will require regular progress reports, permit MDA access to grant records and sites, and describe agreed-on procurement standards.

## **Audit Requirements**

Funds disbursed under this program are subject to the audit requirements of the Single Audit Act of 1996 and OMB Circular A-133.

## **Investigation and Mitigating Occurrences of Fraud, Abuse and Mismanagement**

MDA will work with HUD to develop procedures for mitigating instances of fraud, abuse, and/or mismanagement. The Construction Manager will maintain a system of tracking and clearing issues, which will be reviewed by MDA on a regular basis. Additionally, the Auditor of the State of Mississippi will have an investigative team assigned to investigate suspected instances of fraud.

To augment its existing capabilities, MDA will contract with an industry expert (Construction Manager) who has program relevant expertise. This Construction Manager will have as a primary responsibility supervising construction, and administering and disbursing funds in accordance with the grant agreements with a zero tolerance for duplication of benefits and fraud.

## **Disbursement of Funds**

Funds will be made available to the five Housing Authorities as construction commences to fund costs of housing developments undertaken in accordance with this Amendment. In general, all funds will be paid on a "draw down" basis to the Housing Authority as the obligation to pay occurs and will be approved by the State's Construction Manager. Additionally, the payment for the final 5% of the grant payment will be held until the Construction Manager has performed a final inspection. Before disbursement of funds can be made, each Housing Authority must finalize the following documents: (i) a certification to be signed by the Board Members of the Housing Authority to continued truth of all information submitted during this process, (ii) a waiver to be signed by the Housing Authority of all claims against state and federal government, (iii) proof of full insurance coverage, (iv) proof that construction has been in accordance with the

IBC of 2003, and (v) proof that the funds will be used for units satisfying the legal requirements imposed on Housing Authorities to serve “persons of low and very low income”.

### **Complaint Referrals**

Complaints alleging a specific violation of a statutory or regulatory requirement, including Congressional inquiries, received by HUD at the Headquarters, Regional, or Field Office level will be forwarded to the appropriate State office for the response.

### **Eligible Activities and National Objectives**

Eligible activities included in this partial plan include:

- 1) Planning and administrative costs estimated as no more than 5% (\$5 million). The national objective criteria do not apply separately to planning and administrative activities.
- 2) Rehabilitation, reconstruction, and new construction of housing in the form of a Public Housing Program – up to \$105 million – This program meets the national objective of low and moderate income persons because of income restrictions placed on occupancy in public housing units.

### **Environmental**

MDA will work with HUD to determine and implement the required level of environmental work needed for each project.

### **Mississippi Overall Plan for Disaster Recovery**

The State is promoting sound short and long-term recovery planning at the state and local levels through the MS Renewal process ([www.mississippirenewal.com](http://www.mississippirenewal.com)) and the Governor’s Commission ([www.governorscommission.com](http://www.governorscommission.com)). As part of the recovery process, the State called together planners of all disciplines and programs and coordinated planning across many different programs. Additionally, the State is working with the Federal government’s ESF-14 long-term recovery planning process.

### **Citizen Participation Plan**

MDA will solicit public comments on this amendment to the Action Plan. Additionally, MDA will require the Public Housing Authorities to publish their plans for rebuilding and repairing for local public comment. A summary of these comments and each PHA’s responses will be provided to MDA prior to approval of the grant funds.

## **Solicitation for Public Comment**

**The State of Mississippi is publishing this draft amendment to solicit public comment. The draft plan will be available at county courthouses and administrative offices, and city halls. Comments can be faxed to 601-359-9280. The draft plan is also available on the Internet at [www.mississippi.org](http://www.mississippi.org). A comment form is available at that site or comments may be emailed. Comments that are received by June 18, 2006 will be considered. Changes may be made at that time and then the final amendment to the Action Plan will be submitted to HUD for approval.**

### **Appendix**

Region VIII Housing Authority  
Contact: JP Lawrence  
P.O. Box 2347  
Gulfport, MS 39505-2347  
(228) 863-6272 Ext. 114

Biloxi Housing Authority  
Contact: Tom Nolan  
P.O. Box 447  
Biloxi, MS 39533  
(228) 374-7771 Ext. 218

Bay St. Louis Housing Authority  
Contact: Demetria Crumbley  
601 Bienville Street  
Bay St. Louis, MS 39520  
(877) 755-1565

Waveland Housing Authority  
Contact: Karen Ladner  
500 Camille Circle  
Waveland, MS 39576  
(228) 467-4247

Long Beach Housing Authority  
Contact: Kathy McCaleb  
102 N. Girard Avenue  
Long Beach, MS 39560  
(228) 863-8256